



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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Contact: Maria Velasquez, Communications Director: (619) 235-5725 (pager & voicemail) mvelasquez@saniego.gov

CITY ATTORNEY FILES \$100 MILLION MALPRACTICE LAWSUIT AGAINST LAWYERS AND ACCOUNTANTS WHO PERFORMED WORK ON THE CITY'S BOND OFFERINGS

San Diego, CA: City Attorney Michael Aguirre announced today the filing of a \$100 million malpractice lawsuit against lawyers and accountants who were hired by the City to provide advice and work in connection with the City's bond offerings that were made between 1996 and 2003. The complaint contains four causes of action:

- (1) Professional Negligence;
- (2) Breach of Fiduciary Duty;
- (3) Breach of Contract; and
- (4) Money Had and Received.

"Today, the citizens of San Diego begin to fight back and hold professionals responsible for their significant roles in creating and covering up financial irregularities," said City Attorney Aguirre. "This is a case of malpractice and cover-up by highly paid professionals."

The Complaint was filed late yesterday afternoon by the City's outside legal counsel Dan L. Stanford, a nationally-recognized malpractice attorney from the law firm of Stanford & Associates, and San Diego attorney Bryan C. Vess

"These defendants knew, or in the reasonable exercise of their jobs should have known, of the pension under funding for many years. Yet, they repeatedly approved and put their names on false official documents," said Attorney Dan Stanford. "These professionals were paid millions of dollars to protect the citizens of San Diego. They failed miserably."

The City's lawsuit seeks compensatory damages, punitive damages (for intentional misconduct) and the return of hundreds of thousands of dollars paid to these professionals over the years.

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The Defendants in the detailed 35-page complaint, include the City's bond counsel, Orrick, Herrington & Sutcliffe, a national law firm, and the independent auditing firm for all of the City's bond offerings, Calderon Jaham & Osborn. Also named as defendants are the law firm of Webster & Anderson, who served as co-bond counsel with Orrick, and the accounting firm of Caporicci & Larson, which acquired the Calderon firm as of January 1, 2003.

The crux of the City's civil complaint against the lawyers and accounting professionals is that they negligently drafted and circulated materially false disclosure documents from 1996 to 2003 in connection with the City's bond offerings. In addition, the Calderon accounting firm is accused of having, in essence, two sets of books – one set for the pension system in which the under funding of the pension was partially disclosed, and another set for the City, in which the under funding was not adequately disclosed.

The Orrick law firm is also alleged to have engaged in a cover up of its own misconduct by failing to admit its errors to the City and by refusing to produce any documents generated since February 2004, in connection with its own internal investigation. The City's recent requests for these documents from its own lawyers was rejected with the law firm claiming a "privilege" over the materials.

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